The Mortgage Banker

AUGUST 1949

View of Chicago's famous front yard, beautiful Michigan Blvd., a reminder that you're expected there September 19 to 21

In this Issue

The Mortgage Banker

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MONTH'S COVER

Only significance that the cover photograph has is to remind you that MBA has a convention coming up next month and it is sure to be our biggest—and we think our best. Have you made your plans to attend? If not, we suggest you don't delay a day longer.

>> THE HEAT: As this issue goes to press, the heat wave has let up a little, Fanny May has been out of business and back in again and the congress has passed a housing bill so broad that few can vision its scope or what it may eventually mean toward leading the nation down roads foreign to those which it has traveled in the past. While the new housing bill doesn't exactly give us something new, it gives it to us in a really big dose. The next items on the horizon for immediate consideration is what will happen to Fanny May and what disposition will be made of Senate Bill S. 712. The latter decision may prove most important of all for the immediate future.

>> BIG DEBT: Fall is almost here but factual statistics as to the status of the nation's mortgage debt, after the rise of last year, are just becoming available. The figures seem a little startling even though they shouldn't surprise anyone who has been in the business. For one thing, the mortgage indebtedness on one-to-four family non-farm dwellings is now at an all-time high —$33,355,000,000 at the end of 1948 as against $19,208,000,000 at the end of 1945, the last wartime year. The gain last year was 17 per cent. And the total as of the end of last year is around 70 per cent above the pre-depression peak of $19,600,000,000 in 1930. The debt now averages about $1,100 per non-farm family as compared with $850 in 1930.

Contents

LIFE INSURANCE *TOO BIG?*

No, says this life company president; the industry is big because it's successful

By CARROLL M. SHANKS

MEASURED by any yardstick, this country is great—great not only in size but in the opportunity it offers to anyone willing to work and who has the vision and courage to stand on his own feet. This opportunity is a rich heritage that Americans wish to pass on to their children.

One of the characteristics of our expanding economy has been the development of large corporations—in life insurance and in most other types of business—which have grown with the country in direct proportion to their ability to serve the people honestly and efficiently. Because of the necessity of accumulating reserves to back up their policies, life insurance companies generally tend to be relatively large companies assets-wise.

» EASY TARGET: This makes them natural targets for those who profess to fear corporate size *per se* as something which may harm society. Blinded by their ideology, they automatically reject the mass of evidence spread before them that a company can grow and prosper without ruthless exploitation, unfair competition or sharp practice in business dealings.

In our present day scheme of things, no corporation—large or small—could survive long without the confidence and approval of the public. Smallness in itself is no guarantee of corporate virtue.

What the critics forget is that this country never would have achieved the greatness it now enjoys without large corporations properly conceived, regulated and managed. Nevertheless, some people apparently feel that any irresponsible tirade against business is mighty good politics—particularly if the business happens to be big.

» TOO BIG? Let's consider the place of the life insurance company in the American economy as to size and growth. In the case of the company I represent—as in the case of its sister companies almost without exception—the present size is the result of natural growth—a product of its efforts over nearly 75 years to serve people who needed and wanted its services. In addition to its insurance service, it supplies, all over the United States and Canada, capital and financing for people in all walks of life. We are not a company of the East or the West, but a truly national company offering our facilities to all communities.

The United States has grown very rapidly in the past 25 years. The needs of a population of about 114 million people under conditions as they existed 25 years ago are very different from those of today's population of about 148 million people living under entirely different conditions, and with a vastly expanded income.

It is fallacious to say that life insurance companies, and particularly the large companies, are growing too fast as compared to the financial needs and growth of the country as a whole.

As a matter of fact, they aren't keeping abreast of their job. In 1925 the total life insurance in force was $2,400 per family. This was 89 per cent of one year's average income. Twenty-three years later, in 1948, the life insurance in force per family was $4,800, and this was only 86 per

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On a recent Sunday night, "Senator" Claghorn vowed as to how it seemed that about half the people in Washington were either resigning or threatening to and the other half were investigating someone or something. Maybe the "Senator" wasn't too far wrong. The tempo of the times seems to be about right for a rash of investigations—and particularly if you have gotten big and even, as it so often appears, you have just done a good job at whatever you set out to do.

Life insurance is an industry that has done a highly commendable job of doing what it set out to do; but some in Washington, such as Senator McCarran and Congressman Celler, think the industry warrants an investigation. Senator O'Mahoney would like one too but as a part of the business of his Joint Economic Committee.

Is insurance too big? Are life insurance company investment policies in the best interests of the people? Is insurance doing a good job in our economy? Carroll M. Shanks, president of the Prudential Insurance Company of America, takes up these questions and answers them conclusively. They are answers which those who profess to believe otherwise can't very well dispute.

No business is so closely related to the mortgage field, or is as important to it, as the life insurance industry. We in the mortgage field ought to give this matter serious consideration and be ready to answer the critics. In this article Mr. Shanks does a good job of spelling out what life insurance is, what it is supposed to do and how well it has succeeded.

The Politicians Will Try . . .

During the depths of the depression of the 'thirties, when all market values, including the very best credits, fell below the dollar amounts they promised to pay, insurance assets were temporarily worth less than their obligations.

Except for that abnormal moment, insurance investment policies, and the supervision thereof, have proven themselves to the point where a life insurance policy is everywhere regarded as a security second only to government paper.

Borrowers are members of the public that Representative (Celler) wishes to protect, and borrowers like to have bank lenders and insurance lenders compete for business. It helps keep interest rates low.

If that situation did not exist, the screams of small business would bring pressure for new governmental lending agencies. Then the insurance companies would have to buy the bonds of the new lending agencies, and the politicians would deal with private business in both aspects, as borrowers from the insurance companies and as lenders to business borrowers. At that point, political rather than commercial considerations would dictate loans.

Unfortunately, the assets in insurance are too big a plum for politicians to miss. Representative Celler and others like him will get together one day, regardless of the fact that the business has developed in a logical way and serves legitimate purposes, and they will pass a law to stick the federal government's thumb right in.—*Editorial in Barron's.*

cent of one year's family income. Does that sound like a dangerous rate of growth? Neither 86 per cent nor 89 per cent of one year's income is sufficient for the insurance needs of the average American family.

How about assets? Over the ten-year period, 1937-47, the increase in all life insurance assets was about 100 per cent. Individual savings other than those in life insurance increased 320 per cent. The increase for the single item of time deposits in banks has approximately equaled the increase in insurance company assets.

›› RATE OF GROWTH: From these figures I draw the reasonable but regrettable conclusion that insurance companies have not grown along with the growth of thrift in the nation to the same extent as other thrift institutions.

Are the larger companies holding their position in the total growth of life insurance company business? The figures show that they are not. Over the past ten years there has actually been a decline in the Prudential's percentage of all new business written, and this is also true in the case of other large companies. For example, in 1937 the Prudential wrote slightly less than 18 per cent of the total new business for that year. In 1948 we wrote only 11.9 per cent of the total of new business written.

We did not do a poor job nor did our sister large companies; in fact, we all did a good one, but the change was brought about by gains made by newer and smaller companies (which seem to be doing very well for themselves) despite the competition of the large companies. I think this is a healthy state of affairs.

What about the distribution in growth of life insurance assets? Because of the large number of older policies on their books, the older companies tend to accumulate reserves and assets at a faster rate than do those more recently organized.

Take my own company, which is in its 74th year. In 1937 its assets amounted to 13.7 per cent of the total assets of all life insurance companies. Ten years later this figure had increased to only 14.2 per cent, in spite of the tendency referred to. Again this is a reflection of the number of new life insurance companies which have entered the field, and the increasing proportion of business being done by these and other smaller companies.

Two things are clear: *first,* the life insurance industry has not fully maintained the average life insurance coverage per family in terms of the purchasing power of the dollar; *second,* the larger companies are tending to write a progressively smaller percentage of total new business. It is a matter of regret to me that the companies, large and small, have not further increased their writings.

›› WHAT CONTROLS? What control do life insurance companies exercise over our economy, and what means do they have to exercise any such control?

Distribution of assets among the various types of investments will differ from company to company. However, it is probable that 90 per cent or more of total assets in any case will be distributed in varying degrees among three major forms of investment: (1) Government bonds, (2) other bonds and stocks, and (3) real estate mortgages. Much smaller percentages of assets will be found in policy loans, real estate, cash and miscellaneous items.

To the extent our assets are made up of government bonds, it seems to me that there can be no possibility of any economic domination whatsoever. The same is true in regard to the relatively small part of our assets which is represented by policy loans.

Corporate securities likewise in my opinion do not offer or afford any economic power on the part of life insurance companies. As a matter of policy in the company which I represent (and true, I believe, with the other companies) we do not seek to place directors on the boards of borrowing corporations. Except for the relatively small holdings of certain publicly distributed stock issues, none of our holdings of corporate securities entitles the company to any voting power or managerial voice in the business unless there shall have been a default or other breach of contract.

›› FREE MANAGEMENT: I believe this is true throughout the industry. So long as the contract is carried out by the borrower, the company has no voice in management. It is essential, however, that we be in position to protect the interests of the policyholders in the event of default. Protective provisions are generally

used in corporate security agreements whether the securities are publicly distributed or the loan is placed directly. Such machinery is used by life insurance companies solely to protect the interests of their policyholders—which, of course, is a primary obligation of management.

But, one might say, in the event of default isn't it conceivable that an insurance company might be obliged to have some voice in management to protect its policyholders. The answer of course is "yes," but I think the record shows conclusively that where such situations have occurred, insurance companies have not sought to retain their voice in management any longer than was absolutely necessary for the protection of the invested capital. The corporate management, if it does not agree, always would have access to the courts which could take over the management of the company.

Regarding the so called direct placements of security issues,* there is nothing new about this. It is as old as any form of lending where the dealings are directly between borrower and lender. It has been engaged in by insurance companies for many years. Its recent popularity in competition with other methods of investment placement is a clear indication that it is both desired and needed by American industry as a whole. In numerous instances, of course, such issues are brought to us by investment bankers acting for the borrowing company. Some of the advantages of a direct placement are: it is less expensive; it is easier to administer from the point of view of both borrower and lender, and more flexible from the point of view of the borrower; it makes possible more effective covenants for the protection of the lender, and yet the borrower can receive adjustment in the covenants more easily if need arises; and it affords an opportunity to obtain necessary financing on reasonable terms to many industries, particularly small ones, to which other financing media are not available or adequate.

*Congressman Celler of New York has been the most outspoken insurance company critic and in his most recent blast charged that they drew off large sums of the public's money into loans that were noncompetitive, and not sufficiently regulated. In addition, the companies concealed the details of the transactions, he said.

Thomas I. Parkinson, president of Equitable Life, termed Celler's criticism inaccurate and irresponsible.

The Mutual Life Insurance Company of New York said that it released pertinent details of all such loans to the press and made complete details available to the New York state insurance department.

Both companies participated in privately negotiated loans to businesses that Celler mentioned specifically in his statement.

"It is nonsense to say that life insurance companies have 'privately gobbled up' loans which Congressman Celler implies ought to be made by the commercial banks," Parkinson said.

"If Celler knew anything about such matters he would realize loans made by life insurance companies are generally for periods longer than commercial bank loans ought to be. Therefore, they distinctly are not the type of loan that banks should make."—*Editor*

>> CAPITAL FOR ALL: It is our feeling that sound, small companies in small communities should have as ready access to investment funds as their larger competitors. There are many small, sound, well managed companies which are certainly entitled to credit beyond the means of their local banks and communities. Direct placements are not, of course, a substitute for other means of financing. Most borrowers will continue to be served by other financing media, but in those cases for which they are suited and where both borrower and lender prefer them, direct placements represent a real and advantageous contribution to our economy that should not be discouraged.

What about the mortgage debt? What are the possibilities of life insurance companies exercising undue influence through such investments?

In 1925 the total mortgage debt in the United States in round numbers was around $32 billion. All life insurance companies held 15.2 per cent of that total, and the Prudential held 2 per cent. At the end of 1947 the total mortgage debt was about $45 billion. Of the total amount all life insurance companies combined held less than 20 per cent and the Prudential only 2.8 per cent. Over 80 per cent of the mortgage debt was held then and is held now by commercial and savings banks, building and loan associations, and others. Competition among mortgage lenders has been and is very keen. The possibility of any one lender or group of lenders dominating this field of investment is extremely remote. So far as any one insurance company is concerned, it is obviously an impossibility.

It is not my purpose to discuss any one company. However, I know my own company figures best, and I want to give a few of them as illustrative of what life insurance does in our national economy.

Our own mortgage loan account is sizeable. It consists of approximately 222,000 individual mortgages totaling approximately $1,765,000,000. These loans, which average less than $8,000, cover a very wide range of securities located in over 5,000 different communities in the United States and Canada. It has been and is our basic policy to make mortgage credit available in all sections of the country and Canada wherever possible, reinvesting premium dollars back in the communities from which they come.

>> MORTGAGES MADE: Last year we approved new mortgage loans amounting to $740 million. A very large portion of this amount represented loans made on homes to provide needed housing in all sections of the country. Since the passage of the Servicemen's Readjustment Act, we have approved loans to over 40,000 individual G. I.'s which have enabled them to purchase homes. We now have on our books loans to over 32,000 individual farmers.

Our largest mortgage loan? It isn't in New York City. It isn't in the East. As a matter of fact, it is a loan of $23 million in Cincinnati. Our second largest mortgage loan is in Chicago.

Our average mortgage, including those on large office buildings and commercial securities, is less than $8,000. To me that doesn't suggest any possibility for economic control. It does suggest a conscientious job in providing financial services to the small people in this country who need and should have it.

There is another aspect of mortgage lending in which size and strength have served the interests of the individual borrower and the country. During the last depression many worthy borrowers temporarily were unable to meet the contract payment on mortgages we held on their homes and farms. A less strong creditor would have been unable to extend the leniency we did extend to deserving borrowers. Despite this leniency, we were obliged to acquire a considerable number of properties. A less strong creditor might have been compelled to dump these distressed properties on an already crumbling market at cut rate prices, thus further depressing values. We were able to avoid this. We pursued an orderly process

(Continued on page 20, column 1)

The New Savings Bank Laws and the FHA Market

The new legislation in New York and Massachusetts is analyzed here

AFTER the war, and well into 1947, the demand for FHA mortgages exceeded the supply and as a result 4 per cent Title VI Section 603 and 608 loans were in demand at prices to yield only 3.25 per cent, while 4½ per cent Title II loans, available only in limited quantities, sold as high as 105½ less ½ per cent servicing.

During the last few months of 1947, the tone of the market became weaker. This was the result of an increasing supply of mortgage loans, particularly 501 VA loans, and of the Federal Reserve anti-inflationary policy. On December 24, 1947, the Federal Reserve dropped its support level on government 2½'s 1972-67 September (the longest term issue eligible for commercial banks) from 102 to 101. This was the signal for acute weakness in both the high grade bond and mortgage markets which lasted until November 1948.

By J. MAXWELL PRINGLE

Since November 1948, there has been a slow but steady improvement in the market for high grade bonds suitable for institutional investment. For instance, the bank eligible government 2½'s of 1972-67 were quoted on June 27, 1949, at 103-31/32, an advance of almost three points since November 1948. In that same period, there has been a definite improvement in the tone of the national market for FHA loans but so far this hasn't brought about any appreciable advance in prices. In view of the fact that the high grade bond market has been advancing, it would appear that FHA loans selling to yield around 3.80 per cent to 3.90 per cent (the most attractive basis since early 1942) are definitely on the bargain counter.

» NEW DEVELOPMENT: Originators of FHA loans, and brokers active in the secondary market for such loans, naturally have a vital interest in any broadening of the market such as seems almost certain to take place as a result of recent legislation in New York and Massachusetts permitting the mutual savings banks in those states to go further afield in buying FHAs. That the final result of such legislation will be a lowering of yields and an advance in prices seems inevitable. However, the bullish effect market-wise of national buying by the New York and Massachusetts savings banks may well be over-emphasized if proper consideration is not given to certain adverse factors such as legal and other difficulties which are being encountered in making purchases authorized by the new legislation.

New York savings banks, prior to the passage of this new legislation, were authorized to make direct pur-

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One of the significant developments in the FHA field this year has been the new legislation in New York and Massachusetts permitting savings banks to purchase FHA loans on a much broader basis than has heretofore been possible. In this article Mr. Pringle gives a good account of the background of these laws and what they are likely to mean to the market for insured loans.

The article was completed June 28th and does not, as Mr. Pringle says, reflect the unusual activity in the government bond market the following day and since. He sees the Federal Reserve policy in this light:

"In order to keep government bond prices, particularly of the bank eligible bonds, from advancing too rapidly, the Federal Reserve has, for the last six months or so, followed the policy of selling government bonds held by the reserve system. On June 28th, the Open Market Committee of the Federal Reserve announced that its policy from now on will be to ease the commercial money supply in the face of declining business by adopting a new policy of operations in the government bond market. Essentially this means that government bond prices are going to be allowed to advance in the hope that government bonds will thereby become less attractive to the commercial banks.

J. M. Pringle

"As could be expected, this announcement resulted in a very strong market for government bonds. On June 28th, the long term bank eligible 2½'s closed at 104 bid. At the close of business on June 29th, these same bonds closed at 104-25/32 bid, an advance of more than ¾ of a point in a single day.

"The longest term 2½s not eligible for commercial banks (the so-called Victory 2½s) closed on June 28th at 100-25/32 bid. This issue, outstanding in the amount of $11,689,000,000, is notoriously slow moving and the 1948-49 range has been from a low of 100-8/32 to a high of 101-3/32. On June 29th, in one day, this issue advanced to 101-18/32 bid.

"The main part of my article has emphasized the probable strengthening effect on the FHA mortgage market of the new legislation in New York and Massachusetts permitting mutual savings banks in those states to broaden their FHA purchases. Important as those programs will be from a long range point of view, their effect on the FHA market may well be less than that resulting from this sudden and very substantial strengthening in the government bond market."

Mr. Pringle is manager of the FHA Insured Mortgage Department of Stern, Lauer & Co., of New York, members of MBA.

chases of FHA loans secured by properties in New York, New Jersey, Massachusetts, Connecticut, Pennsylvania, Vermont and Rhode Island. Those are still the only states in which the New York banks may make *direct* purchases. As a result FHA loans from New York and the adjacent states have always sold around two to as much as three points higher than substantially similar loans from the rest of the country. Competition among the savings banks for the limited volume of FHA loans which they could legally buy made it necessary for them to pay premiums up to four points for 4½ per cent loans less ½ per cent servicing, and 4 per cent 608 loans with servicing to the purchaser. It was because some of the banks wanted to get away from paying these high premiums that they sponsored the new legislation. Whether it will help them as much as they anticipated seems somewhat questionable.

The outstanding feature of this New York legislation is that savings banks may now purchase a part interest in an FHA loan, such as a 608, or a group of FHA loans, regardless of location, provided, however, that the loan or loans so purchased are held in trust for the savings banks by a trust company or other corporation the entire stock of which is owned by twenty or more mutual savings banks. Reduced to non-legal terms, this means that two or more savings banks must have the loans which they purchase trusteed with either the Savings Bank Trust Company or Institutional Securities Corporation. There seems to be general agreement that Institutional Securities Corporation, which is a corporation 100 per cent owned by the mutual savings banks, will act as trustee in connection with purchases made under the provisions of this new legislation.

» SYNDICATES OF TWO: The law makes it necessary for at least two savings banks to join together in purchasing any loan or group of loans. From a technical standpoint, the law would appear to permit one large savings bank to have a 95 per cent interest in any one trust with the remaining 5 per cent taken by a small bank. Actually, however, it was originally understood that the New York State Banking Department made the informal suggestion to the savings banks that they would prefer that no one savings bank should have more than a 40 per cent interest in any trust.

Taking their cue from this informal recommendation, many of the savings banks organized groups or syndicates to acquire FHA mortgages on a nationwide basis. These syndicates generally consist of three banks with each of the two larger banks to have a 40 per cent interest and the smaller bank a 20 per cent interest in trusts set up to purchase FHA loans for the three participants.

It has just now been announced, however, that this suggestion has been withdrawn by the New York State Banking Department and that it will meet with their full approval if these syndicates consist of only two banks. Furthermore, apparently there will be no objection to a syndicate consisting of one large bank and one small bank with the large bank having as large an interest as 90 per cent.

This development is most constructive and should make the New York plan much more workable.

» DIFFICULTIES: Although this New York legislation was enacted more than two months ago, not a single savings bank or group of savings banks has up to the present time committed for any FHA loans. This doesn't mean that there isn't a keen interest in the program. A number of syndicates, including among their members many of the largest savings banks in New York State, have been organized and, in a number of cases, one or more of the participants in a syndicate have inspected and tentatively approved a rather considerable volume of 608 loans.

Why, then, is it that, although many of the banks are eager to take advantage of this program and have organized syndicates to do so, no commitments have been issued? Although most of the legal and other difficulties are now in the process of being solved, it has taken a good deal of time to work these matters out. Here are some of the difficulties which have been encountered:

» It naturally took time for Institutional Securities Corporation to prepare a form of trust agreement. It is also taking time to have the trust agreement proposed by Institutional Securities Corporation approved by the attorneys for the various participating banks.

» There are a few states in which existing legislation does not seem to give Institutional Securities Corporation a clear right to act as trustee with reference to mortgages secured by properties in those states. For instance, in Florida it appears that new enabling legislation will be necessary in order to have Institutional Securities Corporation act as trustee with reference to Florida mortgages.

» The mere fact that each savings bank must have one or more partners has made it difficult to reach final decisions with reference to the purchase of specific loans. There have already been cases where two members out of a group of three have inspected and approved specific loans only to find that the other participating bank is not able to make an inspection trip or, perhaps does not share the favorable opinion of the other two banks. In such cases, the two banks which have approved the loan must either find a new partner or proceed as a syndicate of two.

» If it is difficult to secure complete agreement among three participating savings banks with reference to the merits of a specific loan or group of loans, I think it is safe to say that it is even more difficult to secure complete agreement with reference to legal questions from three different sets of attorneys representing the individual banks.

» Although both the law and the informal recommendation of the New York State Banking Department make it necessary for the savings banks to join together in acquiring FHA mortgages on a national scale, the attorneys for some of the banks seem to fear that such joint action might be considered a violation of the Federal anti-trust laws. It has been suggested that any danger on this point would be greatly minimized if the larger banks, which will naturally be the most active, refrain from having the same partners in all their deals.

» The income from FHA mortgages directly held by mutual savings banks is not subject to the federal income tax. However, the attorneys for individual savings banks want to be sure that the income from mortgages purchased under this program and

trusteed with Institutional Securities Corporation are not subject to federal income tax. I understand that it is now the opinion of most of the attorneys that if the procedure recommended by Institutional Securities Corporation, with reference to the acquisition of the mortgages and the details of setting up the trust agreements, is followed, there will be no federal income tax liability. Although it is considered reasonably certain that a definite favorable ruling on this point can be obtained from the Internal Revenue Department, most of the banks appear to be willing to go ahead without waiting for such a ruling.

» With reference to each state in which a group of savings banks desire to purchase FHA mortgages, a study must be made of the laws of that state to determine if it is necessary for the savings banks, or for Institutional Securities Corporation, to qualify to do business in that state. If the cost of qualifying is high and if a state tax has to be paid on the income derived from investments in the state, the probability is that no FHA loans would be purchased in such a state even though the loans were otherwise considered most desirable. In this connection, it is interesting to note that Institutional Securities Corporation has qualified to do business in eighteen states. Consequently, no great difficulty should be encountered in having those states cleared by the attorneys for the individual savings banks.

The difficulties enumerated above are not as formidable as they appear. With very minor exceptions, these difficulties either have been solved or are in the process of being solved. The fact that many of the savings banks have devoted a great deal of time and effort to solve these problems, is the best proof of how anxious they are to participate in this program and to make it work. Once the growing pains are over and purchases are actually made under this trust agreement, there is no reason to believe that the whole set-up won't function smoothly and efficiently.

» WHAT THEY COULD BUY: The 130 mutual savings banks in New York State now have assets of over $11,000,000,000. The law permits them to participate in purchasing FHA mortgages on a national scale to the extent of 10 per cent of their assets. Consequently, if all the savings banks participate in this program to the full extent permitted, about a billion dollars of new money would be available for the purchase of FHA mortgages on a national scale. It is safe to say, however, that some of the savings banks in New York State will not desire to participate in this new national FHA program. In fact, many of these banks have not yet purchased FHA loans even in New York and adjoining states. There is, however, a powerful group of the largest savings banks which want to participate aggressively in this program. Purchases of these banks might very well average around $75,000,000 a year for the next five years.

It should be noted that Institutional Securities Corporation will charge a fee for acting as trustee. I am told that in the case of the larger 608 loans, Institutional's fee will be 1/10th of 1 per cent a year; and in the case of groups of small loans such as Title II 4½'s and Title II 4½'s combined with Section 505 VA loans, their fee will be ¼ of 1 per cent a year.

» 608s IN NEW YORK: One of the main reasons that the savings banks are enthusiastic about this new program is that they believe that they can obtain better net yields than they now receive from making direct purchases of loans secured by properties in New York and the adjacent states, and also because they believe that loans outside of their previous territory can be acquired at premiums quite nominal in comparison with what they have been paying in the New York area. Actually, it seems probable that the bulk of their buying interest will be concentrated in the larger 608 loans secured by garden-type apartment projects. Such loans, where delivery is a year or more away, can be purchased around 100½, and similar loans for reasonably near term delivery are available around 101. From the 4 per cent interest rate there will have to be deducted ⅛ of 1 per cent service fee for the local servicer, generally the originator of the business, and 1/10 of 1 per cent trustee fee to Institutional Securities Corporation. Consequently, the net yield to the savings banks would be close to 3.75 per cent. From the standpoint of both net yield and low premium, 608 loans on approximately these terms are attractive to the savings banks in comparison with New York area 608 loans which they have been buying around 104 with servicing to them.

» TITLE IIs DOUBTFUL: I think it is very doubtful that, for the time being, New York savings banks will be much of a factor in the national market for Title II loans either separately or combined with Section 505 VA loans. After paying a service fee of ½ of 1 per cent and a trustee fee to Institutional Securities Corporation of ¼ of 1 per cent, the net return on such loans, *even if purchased around par,* would be only 3.75 per cent. Probably not many originators will be interested in selling their Title II loans at or close to par. Such a price is certainly below the present market except, perhaps, for 100 per cent combination loans and the 95 per cent thirty-year loans originated under the so-called "Economy House" program.

Even though no actual commitments have yet been made by the New York savings banks, the tone of the market, if not actual market quotations, has improved as a result of the publicity given this new program. When the program actually gets under way, the improvement should be more than psychological. For reasons already explained, the effect on the Title II market will probably be negligible, but there could easily be an advance of half a point to a point in prices paid for the more desirable 608 loans. With relatively few exceptions, the insurance companies which used to absorb most of the 608 loans have not been active purchasers for the last year. There are increasing signs that many of the life companies will soon re-enter the 608 market and their decision to do so may be hastened when they find that loans, which until recently have been offered to them around par, are now going to the savings banks at a nominal premium.

» MASSACHUSETTS LAW: Fortunately, for the peace of mind of brokers and originators desiring to do business with the Massachusetts savings banks, the legislation recently enacted in that state is much simpler and more clear-cut than the New York legislation. Until the passage of this legislation, mutual savings banks

in Massachusetts were only permitted to purchase FHA mortgages secured by properties located in that state. Now, however, they are permitted to make *direct* purchases of FHAs or combination FHA-VA loans on properties anywhere in the United States. These purchases must not exceed 10 per cent of deposits or 50 per cent of loans held on Massachusetts properties.

As the MBA Washington News Letter of June 17, 1949, states "The Massachusetts law is more workable than the New York law intended for the same purpose because it allows each bank to operate individually without necessity for complicated procedure for participation by other banks, as required in New York."

The 190 mutual savings banks in Massachusetts have deposits of approximately $3,200,000,000. Consequently, if they take full advantage of this new legislation, they may be in the market over the next five years for out-of-state FHA loans aggregating as much as $300,000,000.

As I pointed out, it seem probable that the buying of New York banks will be concentrated in 608s. In the case of the Massachusetts banks, I believe that, while some of the larger banks will be interested in 608 loans, the bulk of the Massachusetts buying will be concentrated in the smaller Title II 4½s secured by individual homes. Such loans will be attractive to them because they will only have to pay the ½ per cent service fee to the local originator and will not be required to pay the additional trustee fee of ¼ of 1 per cent which is necessary under the New York set-up.

Savings banks in other New England states, such as Vermont, New Hampshire and Rhode Island, have for many years been substantial buyers of FHA mortgages on a nationwide basis. It, therefore, seems reasonable to believe that the new Massachusetts legislation will have a decidedly strengthening effect on the market for Title II loans.

It is my understanding that the Massachusetts legislation will take effect as soon as rules and regulations are issued by the Massachusetts Commissioner of Banks. Although such rules and regulations have not yet been issued, it is anticipated that they will be in the very near future.

100 from 30 States Make Second MBA Seminar a Successful Event

WHAT many members staunchly insist is the most important single contribution the Association makes to the betterment of the mortgage industry — namely, our annual Mortgage Banking Seminar—has just concluded its 1949 course with an attendance of one hundred. General conclusions of all concerned seemed to be:

» That the one week's meeting offers an excellent and compact course of training and furnishes a broad background for understanding what makes the mortgage industry function.

» That the faculty provided this year was expertly selected and each member well prepared to speak authoritatively on his assigned subject.

» That the physical facilities provided, including lecture hall, housing accommodations, etc., were ideal.

» That the Seminar is something that has long been needed in the mortgage industry and that, based upon the experience of the past two years, is something that will be needed every year. Further, as the one national group devoted exclusively to the mortgage lender's and investor's interests, it is MBA's responsibility to provide an educational course for the industry. That the Association has made a conspicuous success so far seems to be agreed.

» **WIDE SCOPE:** Students this year came from 54 cities in 30 states and the District of Columbia *(94 of them are shown above)*. Sixteen banks and twelve insurance companies were represented. The students seemed a little younger than in our initial 1948 effort, but, scattered among them, were many men of long experience in our field — men who had taken the time to fully investigate the possibilities offered by this full-packed week of education in all phases of mortgage lending. Significantly, it is the experienced men who have the highest praise for the Seminar. One eminently successful mortgage man from Iowa thought we might have erred in emphasizing that the Seminar is mostly for younger men. In his opinion, it may have scared some of the older men away. He concluded that what was needed was some means whereby we could demonstrate to the more experienced men that the Seminar is good for them as well as for the younger men —but he agreed that the only way they were going to fully appreciate that fact is to attend one. As it was, the hundred who registered was just about the right number for a meeting of this sort.

» **TABLE IS TURNED:** One feature is that a very old tradition is reversed—at the Seminar the students grade the speakers. Last year, at the conclusion of the first Seminar, the students gave us their detailed reaction in special questionnaires and then graded each speaker A, B or C as to knowledge of his subject and ability to impart what he knew. What we learned was by no means the guide used by the Seminar committee in

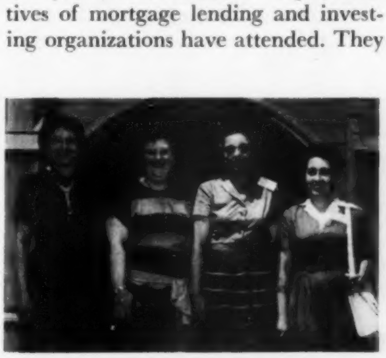
planning for 1949—but it helped in certain aspects and will help next year as well.

>> IT'S OUR ACTIVITY: Considerable satisfaction can be derived from the fact that mostly the Seminar is the result of the Association's own talent — which isn't surprising when it is remembered that today MBA represents the largest and most successful mortgage lending interests in the country. Naturally, they are going to be found within MBA.

Sixteen of the 23 faculty members came from member companies— Ehney A. Camp, Jr., Birmingham; W. A. Clarke, Philadelphia; Aubrey M. Costa, Dallas; Blaine A. Davis, Des Moines; Frank D. Hall, and John C. Tredwell, New York; Ferd Kramer, Robert Kratovil, William L. Leighly, Robert O'Dea, Robert H. Pease and Thomas J. Purcell, Chicago; Norman H. Nelson, St. Paul; Walter C. Nelson, Minneapolis; Aksel Nielsen, Denver; and W. E. Roe, Cleveland.

Others included Mark Levy, Clifford S. Nelson and Herman O. Walther, Chicago; Curt C. Mack and O. Sanders, Jr., Washington, D. C.; Edward H. Warner, Hartford; and Dr. Arthur M. Weimer, Bloomington, Ind.

>> WHAT'S AHEAD: Many members are convinced that in the Seminar the Association makes a contribution to the advancement of the mortgage lending industry that can be accurately measured as no other Association activity can. For the past two years, more than 250 representatives of mortgage lending and investing organizations have attended. They have heard every phase of the industry discussed fully by the ablest men in their particular fields. They've secured a background of experience, a knowledge of the business, which heretofore could not have been secured anywhere. All that adds up to doing something rather important for the business.



DISTAFF SIDE OF THE SEMINAR: Left to right, Christine Selbach, Youngberg-Carlson Co., Chicago; Mrs. Georgia M. Lane, Inglis Mortgage Company, Colorado Springs; Maurine Burney, Benham Mortgage Company, San Antonio; and Celina Rabal, Franklin Square National Bank, Franklin Square, Long Island, New York.

>> GOOD JOB: As in all worthwhile efforts, the credit goes to people. Secretary George H. Patterson, registrar, and Frank J. McCabe, MBA director of education and research, devoted long weeks of painstaking work to making the Seminar an outstanding Association accomplishment. With them in their effort was one of the ablest, most interested and hardest working committees ever assembled in MBA—Robert H. Pease, Chicago, chairman; Norman H. Nelson, St. Paul; William L. Leighly and D. R. Beaumont, Chicago; Andrew S. Love, St. Louis; W. R. Bryant, San Francisco; Wallace W. True, New York, and Edward F. Lambrecht, Detroit. All in all the Seminar is an activity to which every member can point with considerable pride.

(Continued on page 13)

Seen at the *Seminar*

NO. 1. AT OPENING SESSION: Frank J. McCabe, MBA director of education and research; George H. Patterson, MBA secretary and treasurer and Seminar registrar; William E. Roe, vice president in charge of mortgage loan division, Central National Bank of Cleveland, and opening morning speaker on the loan application and personal credit examination; and D. R. Beaumont, president, Percy Wilson Mortgage & Finance Corp., Chicago, a member of the Seminar committee. (Continued next page)

Those attending included:

Fred Ferguson, Liberty National Life Insurance Co., Birmingham; Guy K. Mitchell, H. S. Patterson, Jr., Gadsen, Ala.; Glynn Wright, The Deming Investment Company, Little Rock; Robert M. Graves, The Graves Co., Osceola, Ark.; Stanford L. Holmgren, Wm. Stanwell Company, Oakland, Calif.

Mrs. Georgia M. Lane, Inglis Mortgage Company, Colorado Springs; R. D. Burck, Garrett-Bromfield & Company; Roy N. Severinsen, Morrison & Morrison; and Robert G. Shilvock, The Title Guaranty Company, all of Denver; Lee H. Nichols, Jr., Continental American Life Insurance Co., Wilmington.

Grant Boss, Boss & Phelps Mortgage Co., and Foster Shannon, Shannon & Luchs Company, Washington, D. C.; Al Brown and Nathanial B. Elkins, Federal Title & Insurance Corp., Miami Beach; Edward A. Judge and Paul M. Whatley, Stockton, Whatley, Davin & Co., Jacksonville, Fla.

A. C. Frazier, Georgia Loan & Trust Co., Macon; Arlie W. Baker, Draper & Kramer, Inc.; Leonard C. Ericson, Massachusetts Mutual Life Insurance Co.; Lyle E. Farnham, Allied Building Credits, Inc.; Arthur Hecht, Youngberg-Carlson Co.; and Warren R. Johnson, Western & Southern Life Insurance Co., all of Chicago.

Leroy J. Kenevel and Francis J. Moncecy, Pullman Trust & Savings Bank; Warren E. Powers, The First National Bank; Martin Jay Rosene, Southmoor Bank; and Edward P. Schouten, First National Bank, all of Chicago.

Christine Selbach, Youngberg-Carlson Co.; Charles D. Smith, Consolidated Builders Co.; James H. Weifenbach, Lake Michigan Mortgage Co.; Theodore M. Wilson, Percy Wilson Mortgage & Finance Corp.; and Arthur C. Youngberg, Jr., Youngberg-Carlson Co., all of Chicago; H. R. Fischer, First Granite City National Bank, and Allan H. Ramsey, Mercantile Mortgage Company, both of Granite City.

Bert A. Timma, Lincoln National Bank & Trust Co. of Ft. Wayne; James S. Briggs, Lake Mortgage Company, Inc., Gary; Francis M. Weggeland, Calumet Securities Corp., Gary; Robert Laue, H. Duff Vilm Mortgage Co., Inc.; and Roger T. Moynhan, John R. Moynhan Properties, Inc., Indianapolis.

W. E. Hey, Iowa Securities Company, Davenport; and T. J. Melody, General Mortgage Corp. of Iowa; Fred H. Quiner, Central National Bank & Trust Co. and Edmond M. Murphy, Equitable Life Insurance Co. of Iowa, all of Des Moines.

Darwin W. Morse, Jr., The Monarch Investment Co., Wichita; John Dane, Jr., Dane & Northrop, New Orleans; Walter Koppelman, Jr., Walker & Dunlop, Inc., Baltimore; William A. Belleperche, H. G. Woodruff, Inc., Detroit; and John P. Niggeman, Community National Bank of Pontiac.

R. D. Brown, Nickels & Smith Company and Harry R. Vadnie, The Marquette National Bank of Minneapolis, both of Minneapolis; Edwin A. Johnson, The Minnesota Mutual Life Insurance Co., St. Paul.

Jo Jack Merriman, Merriman Mortgage Co. and Paul G. Murphy, City Bond and Mortgage Co., Kansas City; Arthur Fowler and Fred C. Roeper, First National Bank in St. Louis.

Frank A. Flanagan, Western Life Insurance Company, Helena Mont.; C. Dedrick Kimball, C. C. Kimball Company, Lincoln, Neb.; Kurt L. Gelbach, Picotte Realty, Inc., Albany, N. Y.; Robert M. Hamlin, Security Mutual Life Insurance Co., Binghamton, N. Y.; Robert J. Bradley, The Greater New York Savings Bank, Brooklyn; Donald L. Brand, Hill Mortgage Corp, Buffalo; and Celina Rabal, The Franklin Square National Bank, Franklin Square, N. Y.

Jack C. Anderson, Carolina Housing & Mortgage Corp., Hickory, N. C.; C. T. Leinbach, Jr., Cody Realty & Mortgage Co,. Winston-Salem, N. C.; Walter C. Kautz, Ohio National Life Insurance Co., Nicholas L. Wallingford, Walldon, Inc., and Douglas A. Warner, Jr., Union Central Life Insurance Co., all of Cincinnati; H. O. Rice, Central National Bank of Cleveland; Mayer Robbins and Edward P. Strong, Jr., The First Fidelity Mortgage Corp.; and Thomas K. Hartzler, Jr., Columbus.

W. C. Friman, The Deming Investment Company, Muskogee, Okla.; Otto W. Ohm, Commerce Investment, Inc., Portland, Ore.; Frank E. Garvey, Scranton Life Insurance Co., Scranton, Pa.; Harold O. Casperson and Theodore Coleman and Clinton R. Miller, Industrial Trust Co., Providence, R. I.

B. Snowden Boyle, Jr., Boyle Investment Company, Henry H. Haizlip, Jr., The First National Bank of Memphis; Max B. Ostner, James E. McGehee & Company, Inc., and Stanley H. Trezevant, Jr., Stanley H. Trezevant & Company, all of Memphis; William H. Blitch, The National Life & Accident Insurance Co. and Douglas C. Smith, Murphree Mortgage Company, both of Nashville.

James A. Cheek, W. A. McKinley Company, Edward C. Greene, Southern Trust & Mortgage Co. and M. J. Mittenthal, N. E. Mittenthal & Son, all of Dallas; Robert E. Moroney, Moroney Beissner and Co.; Bernard Weingarten, and William S. Wilson, T. J. Bettes Company, all of Houston; Maurine Burney, Benham Mortgage Company, W. R. Hizar and A. C. McDavid, Jr., Mortgage Investment Corp., San Antonio.

Gordon W. Ball, W. W. McCollum, Inc. and Alan B. Prosise, Jr., McIntosh & McIntosh, Arlington, Va.; Robert A. Lemkau, Seattle-First National Bank, Seattle; Arthur Meagher, Anthony, Baker & Burns, Inc., Spokane; D. A. Belfoy, Ward Smith, Inc., and Harold C. Starkey, George D. Barclay Company, Tacoma; J. C. Howdle, National Guardian Life Insurance Co., Madison, and R. W. Korn, Marshall & Ilsley Bank, Milwaukee.

NEXT SEMINAR WILL USE MBA TEXTBOOK

When the next Mortgage Banking Seminar rolls around in 1950, students who attend will be frequently consulting, and speakers will be frequently referring to, the Textbook on Mortgage Banking — first published work of its kind. This will be the second publication the Association has pioneered from the beginning, first being of course the Manual on Mortgage Loan Servicing Practices.

Robert H. Pease, Textbook editor, has announced that the list of authors who will contribute the various chapters, has now been completed. Work on a number of sections has been virtually completed but in all cases there remains the intensive review and analysis to which all material will be subjected.

Surprisingly enough, the mortgage industry has never had available a textbook, reference guide or even a short handbook covering its methods of operations and practices. So, when the Association decided that the time was long over due for such a venture, it also decided that the initial effort would be as complete and authoritative as possible.

Just how one of the authors is approaching his assignment, Dr. Marcus Nadler, professor of finance at New York University, is a case in point.

His subject is "Interest Rates, Economic Cycles and Mortgage Markets" and he is exploring the subject from every possible angle.

NO. 2. MOMENT OF RELAXATION: ***Foreground,*** **Jo Jack Merriman, Merriman Mortgage Co., Kansas City, Mo., and W. C. Friman, The Deming Investment Company, Muskogee, Okla.** ***On window ledge,*** **Donald L. Brand, Hill Mortgage Corp., Buffalo, N. Y.; Glynn Wright, The Deming Investment Company, Little Rock, Ark.; and Robert G. Shilvock, The Title Guaranty Company, Denver.**

NO. 3 BETWEEN CLASSES: John P. Niggeman, Community National Bank of Pontiac, Mich.; Edward C. Greene, Southern Trust & Mortgage Co., Dallas; R. W. Korn, Marshall & Ilsley Bank, Milwaukee; and Roy N. Severinsen, Morrison & Morrison, Denver.

NO. 4. BACK FOR MORE: Of the 140 who attended last year's first MBA Seminar, four were back for a repeat performance: Walter C. Kautz, The Ohio National Life Insurance Co., Cincinnati; Max B. Ostner, James E. McGehee & Company, Inc., Memphis; Fred C. Roeper, First National Bank in St. Louis; and Fred H. Quiner, Central National Bank & Trust Co., Des Moines.

NO. 5. COMPARING NOTES: Stanley H. Trezevant, Jr., Stanley H. Trezevant & Company, Memphis; Paul M. Whatley, Stockton, Whatley, Davin & Company, Jacksonville, Fla.; Fred Ferguson, Liberty National Life Insurance Company, Birmingham; and Grant Boss, Boss & Phelps Mortgage Co., Washington, D. C.

NO. 6. SEMINAR SERENADE: At the piano accenting the melody is, appropriately enough, T. J. Melody, General Mortgage Corporation of Iowa, Des Moines; ***standing,*** **Harold C. Starkey, George D. Barclay Company, Tacoma, Wash.; and Edwin A. Johnson, The Minnesota Mutual Life Insurance Company, St. Paul.**

Scarcity Factor in Building Apartments

How One Lender Has Measured It

By FLETCHER SEYMOUR

MOST new apartment buildings constructed in Chicago in recent years have been under FHA guarantee and FHA plan. Rent control has made it almost impossible to determine what is a normal rent level for apartments and has been a strong deterrent to the building of new apartments. We all realize there is a scarcity of apartments which results in a higher rental, but there is also the question as to how much premium people will pay for apartments and how long they will continue to do so.

Natural laws of real estate economics would probably have taken care of this situation some time ago if the government had not injected into the picture the continuation of rent control on practically all apartment buildings and of rent-control in connection with FHA apartment building projects.

It was our opinion that the premium for rent scarcity would warrant the building of new apartment buildings on a conventional basis where a promoter or builder had sufficient money to put in a substantial equity.

On this assumption, and with the assent of our insurance company correspondent, we undertook to finance a limited amount of new apartment construction.

The results to date have been satisfactory.

Since most insurance company mortgages must be not more than a certain percentage of the appraised value in order to be a legal mortgage loan, we discussed the program as to conventional construction financing with several experienced appraisers, and worked out a meeting of minds along these lines: It would be necessary to admit, in the physical valuation approach to the appraisal of the property, the actual cost of construction; and it would be necessary, in some fashion, to add to the value of the *long term stream of income* that premium which exists because of the scarcity of apartments.

On these two premises, an appraised value could be reached logically, which would permit a substantial construction loan on a conventional basis.

So much for the appraising. It seemed advisable from the standpoint of the probable trend of the real estate cycle, which is down, to arrange an amortization schedule that would cut down the loan quickly during the period in which we expect the premium for scarcity would exist.

We have used two amortization schedules. Both have been varied in individual instances. These are:

» A two-thirds loan on the full appraised value of the property at 4½ per cent, set up on a 20 year schedule, but that 20-year schedule applied to only 90 per cent of the loan. The other 10 per cent is on a 5-year schedule. In other words, if one makes a $100,000 loan, $90,000 would be on a 20-year even monthly payment completely amortizing schedule; whereas $10,000 would be on a 5-year even monthly payment schedule. Average amortization during the first five years would be 4.86 per cent. Payments after the first five years on the $100,000 loan would be $569.70 per month, or the equivalent of the whole $100,000 loan on approximately a 24-year schedule.

» The second plan calls for a two-thirds loan of the full appraised value at 4½ per cent on a 22-year schedule. Again $90,000 of the $100,000 is on the 22-year schedule, while $10,000 is on a four-year schedule. In this case, the average amortization during the first four years is 5.1 per cent. The monthly payments thereafter amount to $537.30 per month, or during the last 17 years of the loan the payments on the total amount of the loan, or $100,000, are equal to what they would be if the loan had been on a 26½-year schedule without the early acceleration of 10 per cent of the loan.

The buildings in general are of fireproof construction; in some cases there is a poured reinforced concrete floor, and in other cases a prefabricated reinforced concrete interlocking beam. Some have steel frames, fireproof first floor, wood joist upper floors soundproofed. All are brick exterior.

Several of these buildings have been completed and leased, in most cases on leases of three to five years, with some type of rent or security deposit put into a joint account on a basis which assures that the money will be there when it has to be returned to the tenant or applied on his rent.

Our construction loans and permanent loans are set up in the same trust deed, and a separate construction loan agreement is set up to cover the relationship between builder and lender.

It is of interest to us that in practically every case the borrower has been an individual or a group who expect to continue to own the property; that is, they expect to pay off the loan and keep the real estate as an investment, and are just as anxious as we are to take advantage of the rent scarcity in the early years and

The author of this article is vice president of the Lake Michigan Mortgage Company in Chicago. He is an M.A.I. and recently addressed the Chicago MBA educational course. This isn't his first magazine piece by any means; he writes a regular column for the Real Estate News in Chicago under the title of What Is It Worth?

Mr. Seymour

end up in the latter years of their amortization schedule with lower payments, which may be a wholesome relationship to the rental market of the future.

One of the buildings is particularly interesting, we think. It is a five-story building in an area where height is restricted to 42 feet. It has full height ceilings, but due to its construction, stays within the height limit. It has an automatic elevator which we expect will make the upper floors readily rentable.

The apartments average four rooms. The figures in the table on this page furnish a picture of the relationship between the gross income multiple which is computed against the stabilized rental, not the actual rental secured at this time. The actual rental is considerably higher. The second column sets forth the per-room-per-month rental as stabilized in the appraisal. Another column sets forth the approximate cost per room. The final column sets forth the cost per apartment. Both the cost per room and the cost per apartment figures are based upon the appraisal. Most of this construction started and has been carried on since the cost of construction began to decline. It is possible, in some cases, these costs will be reduced.

Gross Income Multiple	*Per Room Per Mo. Stabilized*	*Cost Per Room*	*Cost Per Apartment*
8.15	$28.00	$2,800	$14,000
7.7	25.00	2,307	9,325
7.4	24.00	2,142	10,170
7.8	24.60	2,333	10,500
8	29.67	2,833	12,160

There is a wide variation in the cost per cubic foot of these relatively modern type apartment buildings, and this depends upon the density of use in apartment space of each cubic foot of the whole building. In other words, where more apartments are put into the same overall cube, the cost per cubic foot is higher, though the cost per apartment unit may be less.

Where the Life Companies Stand in Rental Housing

In his article in this issue, Carroll Shanks of Prudential says the life companies have a commendable record in providing rental housing. Here are the figures which bring you up to date as to just what they have done and where they stand in this type of investment.

These companies have completed or have underway housing projects to provide rental housing for 47,000 families through an investment of $475,000,000.

Of the total planned to date, 41 projects, housing 34,500 families and representing an investment of $275,000,000 have been completed and are now occupied. Additional housing for 12,000 families, representing an investment of $185,000,000 is under construction, with nearly half of this completed and occupied. Additional housing for 500 families with an investment of $15,000,000 is planned but not yet under construction.

In the aggregate, these investments will come to $475,000,000, covering 47 projects with facilities for 47,000 families. The total completed thus far, $360,000,000, is larger than the recorded real estate holdings under rental housing, as a portion of the housing projects are held through corporations especially set up for specific projects, the securities of which are owned by the life company concerned.

"While the interest in rental housing on the part of the life insurance companies is still keen, few companies are giving consideration to additional specific projects currently, due largely to construction costs," the Institute of Life Insurance says.

"A number of companies have intimated that they may be interested in further undertakings of this kind again in the future, as conditions stabilize and there is a better balance between building costs and the long term outlook for rental income."

The projects completed or under construction by the life insurance companies are located in ten states, the District of Columbia and one in Canada. The location of the projects, including those not yet under construction, are as follows: California (2), Connecticut (3), District of Columbia (1), Florida (1), Maine (1), Maryland (1), Massachusetts (2), New Jersey (22), New York (9), Ohio (3), Virginia (1), Canada (1).

WE'RE DEEP IN CONVENTION PLANS AND URGE YOU TO SEND YOUR REGISTRATION

MBA members have already been sent the two most important communications they will receive about our 36th annual convention and exhibit at the Palmer House, Chicago, September 19 to 21—except of course the program itself which will be out before not too long.

The first was your hotel reservation card and the second your advance registration. If you have not sent both in, look into it at once and get them off today. They are both important. We want your hotel reservation immediately because we want as many members as possible situated at the Palmer House and avoid scattering our group about at nearby hotels—a condition which has plagued us and all groups for too many years. We want your advance registration so we can have an idea of how many to plan for. And of course you will want your name on the advance registration list to be distributed at the opening of the meeting and it won't be there unless you register in advance. Registration fee this year remains the same—$15.

Bear in mind this all important fact—this year's convention is actually two in one. First, our regular sessions begin at 2 p. m. on the first day, Monday, September 19, and continue until noon of Wednesday. That's four full general sessions. Then there is the new Mortgage Servicing Center, an entirely separate convention program, opening Monday morning and running through Tuesday. It is going to take a little planning this year to catch everything at the convention which you are sure to want to hear.

But at the moment, check to see that both your hotel registration and advance convention registration are in.

MORTGAGE SERVICING CENTER PROGRAM ANNOUNCED; E. A. CAMP IS MODERATOR

The program for what your committee believes will prove to be one of the most valuable convention attractions the Association has ever offered—our new Mortgage Servicing Center—has been almost completed and members are urged to make their plans as to who in their organizations will attend these sessions.

This Mortgage Servicing Center, organized under the auspices of the MBA research committee, is planned as an entirely separate program to dovetail with the regular convention general sessions and is being organized with the servicing and office managers particularly in mind. It is all about mortgage servicing—how to do it better and more economically and where and how to cut corners in costs.

It opens at 10 Monday morning September 19, and continues for two full days and it is anticipated that in addition to our regular convention goers, we will have an entirely new audience made up of those whose job is servicing.

The Association urges members to consider now who in their organizations should attend the Servicing Center, and register them at the time the other registrations are made. Servicing is sure to be a greater factor in mortgage operations in the future than it has been in the past; here is the opportunity—your only opportunity—to get right up to the minute on all that is new and modern regarding it.

The first Mortgage Servicing Manual ever published will be issued by

Mr. Hollyday

Mr. Camp

Mr. DeHuszar

Mr. McCabe

MBA around September 1st. Text material is now being reviewed and edited and it will constitute a forerunner to the Servicing Center at the convention. It will bear repeating here that nowhere at any time have mortgage lenders ever been offered anything in servicing such as MBA will provide for them in 1949—first,

the Handbook followed by the Servicing Center, the first conference ever devoted exclusively to servicing.

If you think as your Association does at the moment — namely, that your ability to do a good servicing job in the immediate years ahead may mean the difference between profit and loss—then you should have some member of your servicing personnel on hand for this meeting. And, naturally, you yourself will want to catch as many of the sessions as you can.

Ehney A. Camp, Jr., vice president, Liberty National Life Insurance Company, Birmingham, has accepted the post as moderator and Fallon A. O'Leary, manager of the mortgage loan department, Cornet & Zeibig, Inc., St. Louis, will act as audience participation leader. Both are members of the research committee headed by Guy T. O. Hollyday.

The program at the moment shapes up something like this:

First morning: Talks by William I. DeHuszar, treasurer of Dovenmuehle, Inc., Chicago, and editor of the Handbook, and others on Efficient Servicing Means Good Public Relations and how Manual Operations Can be More Efficient.

First afternoon: Talks on Internal Coordination of Servicing Functions, Cutting Costs in Operations of the Cashier and Collection Department and Mechanical Bookkeeping Equipment—When to Install and How.

Second morning: Talks on Handling Reserve Funds Effectively, Savings Through Use of Cost Accounting and Effective Loan Servicing by Commercial Banks.

Second afternoon: Talks on Has IBM Equipment a Place in Mortgage Loan Servicing, Effective Methods for Selecting and Training Servicing Personnel and How Mutual Understanding Can Cut Servicing Costs of Agency and Investor. Servicing experts from across the nation are being invited as lecturers to handle these subjects.

Each session will be followed by an open forum discussion led by a board of experts.

After each audience participation period, as time permits, an opportunity for private consultation will be offered. In other words, any person present who has a company problem on servicing may secure advice from a member of the board of experts in an informal across-the-table discussion.

YOU COULDN'T PICK BETTER TIME TO VISIT CHICAGO THAN THIS SEPTEMBER

Chicago is the country's most popular convention town. Survey after survey always establishes that fact. Part of the reason is that there is plenty of outside-Convention activities to provide an additional inducement to attend.

It's a little early to tell you all the things that will be doing in Chicago in September but here are some:

RAILROAD FAIR: The big attraction is the Railroad Fair on the lake front grounds of the 1933 World's Fair—and the Railroad Fair is like the 1933 show on a smaller scale. Here is something certain to please anyone who attends—square dances, ice and water ski shows, rodeos, old time railroads, all the newest in rail transportation, Indian village, Old New Orleans, all topped by a giant outdoor pageant with music, "Wheels A'Rollin'". Don't miss the thrilling experience of seeing the Railroad Fair. It's a "must" for your convention trip.

BASEBALL: You could see the Cubs play every day you are in Chicago but don't plan on doing so Monday and Tuesday because you would miss two of the most important convention sessions. September 16th and 17th they play New York, then 18th to 20th they battle Brooklyn and on the 21st they play Philadelphia. The White Sox will be on the road.

SHOWS: Too early yet for the full list but *Mister Roberts* and most likely *Inside USA* with Beatrice Lillie and Jack Haley will be playing. On September 19 New York's biggest hit play, *Death of a Salesman,* opens at the Erlanger. Second companies of Broadway's two big musical shows, *South Pacific* and *Kiss Me Kate* are expected by Convention time.

RACING: Every day both the regular kind and the trotters.

CONCERTS: You will have your choice of a wide selection of concerts and other musical attractions.

OTHER THINGS: If you have time, the Art Institute, Museum of Science and Industry, the Planetarium, Shedd Aquarium, and the city's many foreign sections with their colorful cafes, are among the many other things which, if you haven't gotten around to them in the past, are highly recommended.

DALLAS MBA ELECTS

Herman Van Maanen, president of the Reserve Loan Life Insurance Company, was elected president of the Dallas MBA at the organization's recent meeting. He succeeds Weck M. Brown, Weck M. Brown & Co., and will serve for the July 1 to December 31 period. Oakes T. Turner, of Maxson, Mahoney & Turner, was elected vice president and J. Herman Little, J. Herman Little Co., was re-elected secretary and treasurer.

And above is the Dallas MBA at one of their weekly noon luncheon meetings. The Association has a membership of 55 and attendance usually runs around 35 to 40 every week.

Seated, left to right: J. M. Simmons, James J. Teeling, H. G. Hurlbut, T. E. Sargeant, W. W. Fair, DuVal West, Aubrey M. Costa, David Treadway, Weck Brown, J. Herman Little, W. T. Sargeant, Neil Thomasson, Glen Harris, W. H. Davis and Carroll Jones.

Standing, left to right: W. A. McKinley, J. W. Jones, C. C. Renfro, M. J. Mittenthal, O. M. Stubblefield, Donald McGregor, Charles Lantz, Ed Bennett, F. H. Garrott, Max Guillot, L. A. Huffhines, H. Fisher, J. E. Driscoll, Jr., Glenn Justice, Riley Burch, Manuel De Busk, Ray Jones, John Cox, Paul Crum, Harold Starr and Dudley Brutsche.

BENNER TELLS PHILADELPHIA MBA REAL ESTATE FUTURE IS WITH FHA AND VA

The postwar boom is over, never to return, but our economy will stabilize at a high level, mainly because of the housing situation, Dr. Claude H. Benner, president of Continental American Insurance Co. told 300 members and guests of Philadelphia MBA at their recent clinic. C. Armel Nutter, president, presided.

Describing the boom as "a crazy thing anyway," Dr. Benner said it should have ended two years ago.

"The end of this dizzy boom doesn't mean depression, in my opinion," he asserted. "The country is in good shape. There is virtually no debt except mortgage debt. Banks have no stock market loans or other poor investments. And much remains to be done in the housing field.

"I'm not worried about mortgage loans because the nation is not overbuilt, not physically that is. We might be from a price standpoint, but adjustments will have to be made. The average wage in the Philadelphia area is $46 a week, which means the average monthly rental or carrying charges shouldn't be greater than $46. How many 608s are being built to rent at $46?

Dr. Benner said the future of real estate rests in the hands of the VA and FHA, whose officials will have to set a policy when the time comes to do some foreclosing and rental schedules will have to be set up on apartment houses and other units.

"Too many people have mortgaged themselves more than their income warrants, and some of them are bound to get hurt during the leveling-off process. But the good loans based on the proper ratio of income to price will be all right. Loans won't be endangered by lower housing prices; costs won't come down, even in a lower economy. They're likely to go higher. We live in a trade union economy and wages will be kept up irrespective of anything. The important thing is to keep price within the budget of the borrower."

Philip N. Brownstein, of the loans service and claims division of VA, said that agency will go to all possible lengths to protect veterans from loss of their homes and revealed the plans for staving off foreclosures.

Other speakers were Howard N. Nielson, regional manager, Connecticut General Life Insurance Co., and Arthur Gretz, examiner for FNMA. Gordon M. Burlingame was chairman of the committee in charge.

(Other MBAs continued next page)

>> NEW YORK: Lawrence A. Epter, Lawrence A. Epter & Associates, has been re-elected president of New York MBA. Other officers re-elected include vice president, Thomas E. Lovejoy, Jr., vice president and treasurer of the Manhattan Life Insurance Company; secretary-treasurer, Samuel Spitzbart, counsel to the Franklin Square National Bank, and three-year governor, Eugene J. McCarthy, assistant treasurer of the Country Trust Company of White Plains.

Charles Chuckrow, president, Fred T. Ley & Co., Inc., was the speaker at the group's recent dinner meeting.

>> CLEVELAND: Wives should hold sole title to homes to save grief and taxes, because wives live longer, Lawrence G. Knecht, Cleveland attorney, told members of the Cleveland MBA at a recent meeting.

"The idea that many people have—that by joint husband-and-wife ownership of a home—they can avoid Probate Court proceedings and inheritance taxes—is wrong," Knecht said.

In Ohio, he told the mortgage lenders, if any property but U. S. savings bonds is registered in two or more names without words of qualification, the individuals are tenants in common, each owning an equal interest in the property.

"With this situation, no matter which of the two parties dies first, the title to the property will have to be cleared through Probate Court twice—and that's expensive," Knecht said.

Even if court proceedings are avoided by joint-tenancy deed giving survivorship right of the husband's half to the wife, inheritance tax must, sooner or later, be paid against the full value of the property and not merely one-half its value, he added.

"If the property is registered solely in the wife's name and her husband dies before she does, she will have no expense in connection with the sale of the home. If she dies before her husband does, he can pay necessary expenses out of his earned income."

Knecht said 75% to 95% of families hold homes in joint husband-and-wife ownership, unknowingly risking many tax and court complications.

GOOD OLD SUMMERTIME

This is the season of the year when local mortgage groups over the country get together for what to many is about the most pleasant occasion of all—the annual summer outing. Detroit MBA scheduled theirs early.

Members left their air-cooled offices and the drudgery of business, for an afternoon and evening of heat and rain at the Birmingham Golf and Country Club. The club steward took up 170 tickets for the steak dinner which followed an afternoon of golf, cards, and general sociability.

It was the largest outing of the organization.

Shown above is the speakers table but there was no speaking. Left to right: Oscar M. Onstad, S. C. Turner, Heyward T. Denyes, Joel K. Riley, secretary-treasurer, Charles P. Besancon, president, Hans Gehrke, Jr., vice president, Arthur F. Bassett and James T. Barnes.

>> UTAH: Purpose of the proposed senate bill 712 is to spur production of homes costing $6000 to $8000 to meet the mass market, Warren J. Lockwood, assistant FHA commissioner, told Utah MBA members at their recent meeting held jointly with builders. E. John Cook association president, presided.

FHA mortgages are averaging $1000 less than a year ago on a national scale, he said. This has narrowed the gap between sales price and long-term FHA valuation.

>> CHICAGO NEXT: This group's outing is scheduled for July 12.

Golf and softball will be the main attractions. Golfers will compete for the Past Presidents' trophy and other prizes.

The "Correspondents" and "Bankers" softball teams will compete for the association's Gold Cup. Frank Shugrue is captain of the correspondents and Jack Gleason, Jr., of the bankers.

>> NEW JERSEY: This Association's annual outing was in Elizabeth, N. J., with more than 150 attending. Following a golf tournament, members repaired to the club house to hear an address by Milton Bacon of Radio Station WCBS. Thomas E. Colleton, president, presided.

INSURANCE TOO BIG?

(Continued from page 5)

of liquidation and, as a matter of record, re-sold many of the foreclosed properties back to the owners at cost without cash payments and on liberal terms, thus enabling them to regain their properties.

» MINOR FACTOR: Investment statutes in various States in the last few years have been amended to permit insurance companies to buy certain types of income-producing real estate for their investment portfolios. Under the New Jersey law we are permitted to invest a maximum of only 5 per cent of our assets in such real estate, including housing but excluding home office buildings. In four years we have bought only a small fraction of that amount. The entire 5 per cent would be the equivalent of only about one-half of the mortgage loans we approved in 1948. That comparison throws the matter of real estate ownership by life insurance companies into proper perspective. I believe that real estate holdings by life companies will always be relatively minor and not of much significance in our economy.

In my view, the life insurance companies, in their role of channeling capital into productive developments throughout the country, have a real and lively obligation to work toward the stability and building for permanence of our communities. This is true whether in the field of industrial building, commercial development, or housing. The more we study the plans for development of our cities throughout the country, study the housing situation which is to the forefront in many places, and consider the difficulties incident to insurance company ownership, the more we become convinced that our best contribution to the solution of these problems, in most cases, can be made through our traditional role as a mortgage lender. Thus, we can provide funds for the construction of small homes, apartments and large housing projects by experienced local private builders and real estate men who have the know-how to get the job done.

Insurance companies are service organizations primarily, offering the means of preparing for the future in the form of life insurance and rendering a necessary service to the people of the United States and Canada by putting money to work in sound, productive places. This may be in the financing of a home, furnishing the money for improvements on a farm, or making loans to business to increase productivity and provide employment. Our service to the public calls for an industry great in number of companies and great in assets. The only question is whether our tools are equal to the job.

PEOPLE AND EVENTS

A. Sproule Love of Edward K. Love Realty Company, St. Louis, has been named a member of the Construction and Civic Development Department Committee of the United States Chamber of Commerce for the coming year representing M.B.A.

Elmer H. Grootemaat, MBA board member from Milwaukee, was given the annual achievement award of the local Real Estate Board. . . E. L. (Swede) Carlson has been made second vice president and Carroll Keesey was made vice president and treasurer of Fidelity Mutual Life.

Ferd Kramer, president, Draper & Kramer, Inc., Chicago, newly nominated member of MBA's board of governors has been re-elected president of the Metropolitan Housing and Planning Council of Chicago for his seventh term. Howard Green, Great Lakes Mortgage Corp., was re-elected vice president.

At the annual dinner meeting of the alumni association of New York University's graduate school of business administration, a complimentary copy of the proceedings of the Conference on the Impact of Economic Interventionism upon Mortgage Finance, sponsored by MBA and the graduate school, was given to those attending. Guests at the dinner included Lawrence A. Epter, New York MBA president, Thomas E. Lovejoy, Jr., vice president, The Manhattan Life Insurance Company, Milton T. MacDonald, MBA board member, and C. Armel Nutter, MBA board member.

NEW MBA MEMBERSHIP TOTAL CONTINUES UP

Despite the heat and the slower tempo of many association activities during the summer months, the total of new MBA members being admitted continues to grow. Aubrey M. Costa, Dallas, membership committee chairman, reports the following new admissions:

ALABAMA, Birmingham: McConnell, White and Terry

ARIZONA, Phoenix: First National Bank of Arizona

CALIFORNIA, Los Angeles: Robbins Little
San Francisco: Crocker First National Bank of San Francisco

CONNECTICUT, Hartford: National Fire Insurance Company

DISTRICT OF COLUMBIA, Washington: Wm. J. Flather, Jr., Inc.

FLORIDA, St. Petersburg: J. L. White Agency
West Palm Beach: Studstill & Hollenbeck, Inc.

ILLINOIS, Chicago: Southmoor Bank of Chicago.
Rockford: Jackson-Keye Agency, Inc.

MICHIGAN, Grand Rapids: Michigan Mortgage & Investment Company
Marquette: First National Bank & Trust Company of Marquette

MISSOURI, Ferguson: Bank of Ferguson
St. Louis: Anderson Stocke Buermann Realty Co.; Oreon E. and R. G. Scott

NORTH CAROLINA, Asheville: Essex Realty & Mortgage Company

OKLAHOMA, Pryor: J. C. Wilkerson Real Estate & Insurance Agency
Tulsa: Chandler-Frates Company

PENNSYLVANIA, Philadelphia: Bankers Bond and Mortgage Co.
Pittsburgh: Stevenson, Williams Co.
Scranton: Scranton Life Insurance Company

TENNESSEE: Chattanooga: Interstate Life and Accident Company

TEXAS, Bryan: J. A. Williams & Sons
Dallas: Gulf Insurance Company
Houston: W. M. Wright Company

With the current Association year ending on August 31 nearly here, if you have a good prospect to suggest to the Membership Committee, Mr. Costa would appreciate hearing from you. This is a vitally important period in the mortgage business; and the more representative MBA becomes, the more effective it will be.

ELECTED BOWERY HEAD

Earl Bryan Schwulst, executive vice-president, was elected president of Bowery Savings Bank, New York, the nation's largest mutual savings institution. He will be chief administrative officer of the bank.

Henry Bruere, who has been president since 1931, remains as chairman of the board and chief executive officer. Harris A. Dunn remains as vice-chairman of the board, Robert W. Sparks as first vice-president and P. Raymond Haulenbeek as administrative vice-president.

Mr. Schwulst has been with the Bowery since 1936.